

**Committee of the Regions****ECON-VI/007****117th plenary session, 7-8 April 2016****OPINION****Working together for jobs and growth: The role of National and Regional Promotional Banks (NPBs) in the Investment Plan for Europe**

THE EUROPEAN COMMITTEE OF THE REGIONS

- is critical of the fact that while the formal definition of national promotional banks as a rule also encompasses regional banks, in practice the Commission communication focuses purely on the role of the national level and encourages the creation of new national promotional banks alone;
- draws the European Commission's attention to the considerable importance of giving local and regional authorities a greater say in the choice of financial solutions serving interests at local level. Failure to consider the position of local and regional authorities often results in support for investments which are incompatible with regional operational programmes and local strategies;
- notes the existence of significant development disparities between individual promotional systems at national level, resulting in a systemic deficit in countries and regions with a less developed culture of this type of banking; the outcome of all this could be that national promotional banks, might not always provide enough support for local authorities and enterprises. These banks should further decentralise the services they offer;
- takes the view that decisions on the creation of new institutions should be subject to an in-depth analysis on the appropriateness of creating new institutional structures, so as to avoid any unnecessary proliferation of red tape and waste of resources;
- points out that ex-post evaluation of the effectiveness of existing and newly created regional promotional banks should be long term in nature (10-15 years) given that the investment projects financed usually have a multiannual timeframe;
- stresses that the European Commission and the European Investment Bank should spell out the role of regional promotional banks and other financial institutions in the system of nascent investment platforms as a tool to accomplish the Investment Plan for Europe.

Rapporteur

Adam Banaszak (PL/ECR), Vice President of the Kujawsko-Pomorskie Regional Assembly

References

Communication from the Commission to the European Parliament and the Council: Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe
COM(2015) 361 final

**Opinion of the European Committee of the Regions - Working together for jobs and growth:
The role of National and Regional Promotional Banks (NPBs) in the Investment Plan for Europe**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. welcomes the Commission's initiative to support promotional banks as well as the creation of investment platforms as an important element of the investment plan for Europe. At the same time, the Committee is critical of the fact that, while the formal definition of national promotional banks as a rule also encompasses regional banks, in practice the Commission communication focuses purely on the role of the national level and encourages the creation of new national promotional banks alone. However, promotional banks operating at local and regional level should also be acknowledged and taken into account in the investment plan;
2. highlights the definition of development banks or institutions as set out in the regulation on the European Fund for Strategic Investments, namely "legal entities carrying out financial activities on a professional basis which are given a mandate by a Member State or a Member State's entity at central, regional or local level, to carry out development or promotional activities";
3. notes that promotional banks based on different models play an important role in countering the impact of the economic and financial crisis, particularly in terms of reduced public investment at local and regional level. This reduction was confirmed by the recent joint report of the European Committee of the Regions and the OECD;
4. points out, in this connection, that in some countries nationwide banks are responsible for supporting key investments for regional and local authorities (e.g. France and Poland), some of which are co-owned by local and regional authorities (Nordic countries and the Netherlands). In other cases (e.g. German model), however, in addition to national promotional banks, regional promotional banks fully or partially owned by the competent *Land* (region) are responsible and fulfil a Land-specific promotional role. The actual nature of promotional banks varies and depends on the historical experiences and economic conditions in the respective country or region;
5. notes that promotional institutions do not always take the form of banks – in some countries they act as investment agencies, companies or funds, often along the lines of venture capital funds, and this type of non-banking institution could also play an important role in the investment plan for Europe;
6. points out financial instruments at local and regional level are still not available in all Member States and regions, optimal use cannot be made of the available instruments and experiences, and the involvement of the private sector is often confined purely to carrying out orders, which increases the need for support for local promotional financial institutions;

7. stresses that different possibilities exist for the establishment of promotional banks, as was the case when the current promotional banks were set up - they were created at the outset as independent institutions or developed out of departments of public banks;
8. points out the need to create promotional banks as instruments of economic, structural and social policy and for them to operate, including as a result of structural weaknesses or shortcomings in markets (including regional markets), but is aware of the difficulties inherent in a clear-cut approach to defining and evaluating market failures; thus calls for a long-term, wide-ranging interpretation of the term "market failure";
9. draws the European Commission's attention to the considerable importance of giving local and regional authorities a greater say in the choice of financial solutions serving interests at local level. Failure to consider the position of local and regional authorities often results in support for investments which are incompatible with regional operational programmes and local strategies;
10. notes the existence of significant development disparities between individual promotional systems at national level, resulting in a systemic deficit in countries and regions with a less developed culture of this type of banking. The outcome of all this could be that national promotional banks, might not always provide enough support for local authorities and enterprises. These banks should further decentralise the services they offer;
11. is concerned that "centralised" promotional support models, based solely on a national bank and its non-autonomous local branches, do not always fully meet the needs of local communities, particularly in less developed regions and places where the influence of local and regional authorities over the national promotional bank is very limited;
12. shares the view that, when local and regional authorities are selecting a promotional banking development model, the overarching goals and sole criteria for assessing effectiveness at each level should be: elimination of market failures, sustained increase in the number of jobs, consideration of local communities' interests and thus pursuit of public economic development objectives;
13. is concerned that the requirement set forth by the European Commission for an ex-ante assessment of newly created promotional banks and the new financial products they offer may significantly hamper their operational capacity and complicate the actual process of creating such banks, both at national and regional level. Furthermore, in connection with the requirements of such an analysis, it is worth noting that it will often be difficult to identify market failures in less developed regions, because the socio-economic situation of the region as a whole may be indicative of market failures, when compared with the situation in more developed areas;
14. hopes that there will be closer cooperation between the Committee of the Regions and the European Investment Bank; calls for the creation of a complementary network of public promotional banks that will respect the subsidiarity principle (thus contributing to the achievement of economic and social synergies); would welcome this system becoming a forum

for exchanging interregional and international experience and knowledge, while managing to avoid the risk of over-centralising practices;

Proposals

15. calls for a significant increase in the role of local authorities in the creation, operation and evaluation of the impact of promotional banking in regions that do not yet have their own promotional instruments. This can be achieved either by giving local and regional authorities a bigger say in the strategic focus and governance of national promotional banks or by complementing the services offered by national banks through the creation of regional (local) promotional banks. These would cooperate closely with the national bank;
16. considers that the choice of a specific pathway for the development of a promotional banking model at regional level - the question of whether the model under which the national promotional bank plays the dominant role is sufficient or whether a decentralised model would be better, with a greater role for local and regional financial institutions or promotional banks - should be left to local or regional authorities following consultation with the national authorities, or to the national authorities depending on the legal system in the given Member State;
17. takes the view that decisions on the creation of new institutions should be subject to an in-depth analysis on the appropriateness of creating new institutional structures, so as to avoid any unnecessary proliferation of red tape and waste of resources;
18. points out that if the European Commission and the EIB consider creating a system to support the establishment of new regional promotional banks, then the specific individual characteristics of each country and region must be taken into account and best practices and proven promotional systems in this field, including the experience of recently established banks, must be drawn upon. Applying the best institutional solutions in less developed regions while taking account of specific local circumstances also seems appropriate;
19. points out that ex-post evaluation of the effectiveness of existing and newly created regional promotional banks should be long term in nature (10-15 years) given that the investment projects financed usually have a multiannual timeframe;
20. notes the need for a framework for cooperation between newly created European Long-Term Investment Funds (ELTIFs) and regional promotional banks and other local financial institutions. They should be complementary and not compete against one another to raise long-term financing for investments at the local and regional level;
21. supports the idea of promoting the creation of investment platforms, as tools for implementing the investment plan for Europe. At the same time, the Committee stresses the importance in this connection of not including the contribution of public, national, local or regional funds to investment platforms in the Stability and Growth Pact calculations;

22. stresses that the European Commission and the European Investment Bank should spell out the role of regional promotional banks and other financial institutions in the system of nascent investment platforms as a tool to accomplish the Investment Plan for Europe. Regional promotional banks should cooperate with the European Fund for Strategic Investments on the basis of sectoral, but above all geographically based investment platforms;
23. believes that the principle of cooperation between regional or local promotional banks and other financial institutions, on the one hand, and the European Investment Advisory Hub, on the other, should be spelt out and explored. The European Investment Advisory Hub should, in particular, support local authorities and local promotional banks in preparing projects, provide advice on financial engineering and support knowledge transfer. The advisory hub should also have the possibility of signing partnership agreements with regional banks too, not only national banks.

Brussels, 7 April 2016

The President
of the European Committee of the Regions

Markku Markkula

The Secretary-General
of the European Committee of the Regions

Jiří Buriánek

II. PROCEDURE

Title	Working together for jobs and growth: The role of National and Regional Promotional Banks (NPBs) in the Investment Plan for Europe
Reference(s)	Communication from the Commission to the European Parliament and the Council - Working together for jobs and growth: The role of National Promotional Banks (NPBs) in supporting the Investment Plan for Europe, COM (2015) 361 final
Legal basis	Article 307, 4th paragraph TFEU
Procedural basis	Own-initiative opinion (41(b)(ii))
Date of Council/EP referral Date of Commission letter	/
Date of Bureau/President's decision	12 October 2015
Commission responsible	Commission for Economic Policy (ECON)
Rapporteur	Adam Banaszak (PL/ECR), Vice-president of Kujawsko-Pomorskie Regional Assembly
Analysis	23 October 2015 (Part I); 18 December 2015 (Part II)
Discussed in commission	10 December 2015 (1st exchange of views) - 29 February 2016
Date adopted by commission	29 February 2016
Result of the vote in commission (majority, unanimity)	Unanimously
Date adopted in plenary	7 April 2016
Previous Committee opinions	Investment Plan and European Fund for Strategic Investments, COR_2015_00943_00_00_AC Financial instruments in support of territorial development, COR_2015_01772_00_00_AC
Date of subsidiarity monitoring consultation	/